

# **Mt. Ascutney Hospital & Health Center**

## **Budget Presentation**

Green Mountain Care Board  
August 28, 2019

# Presenting

- Joseph Perras, M.D., CEO/CMO
- David Sanville, Chief Financial Officer
- Theresa Tabor, Controller
- Wendy Fielding, Vice President, Financial Planning,  
Dartmouth-Hitchcock Health

# Agenda

1. Overview
2. Requests
3. Hospital Issues
4. Risk/Opportunities
5. Financial Health
6. Financials
7. Other Financial Information
8. Capital Budget
9. Financial Outlook
10. Compliance

# 1.0 Overview

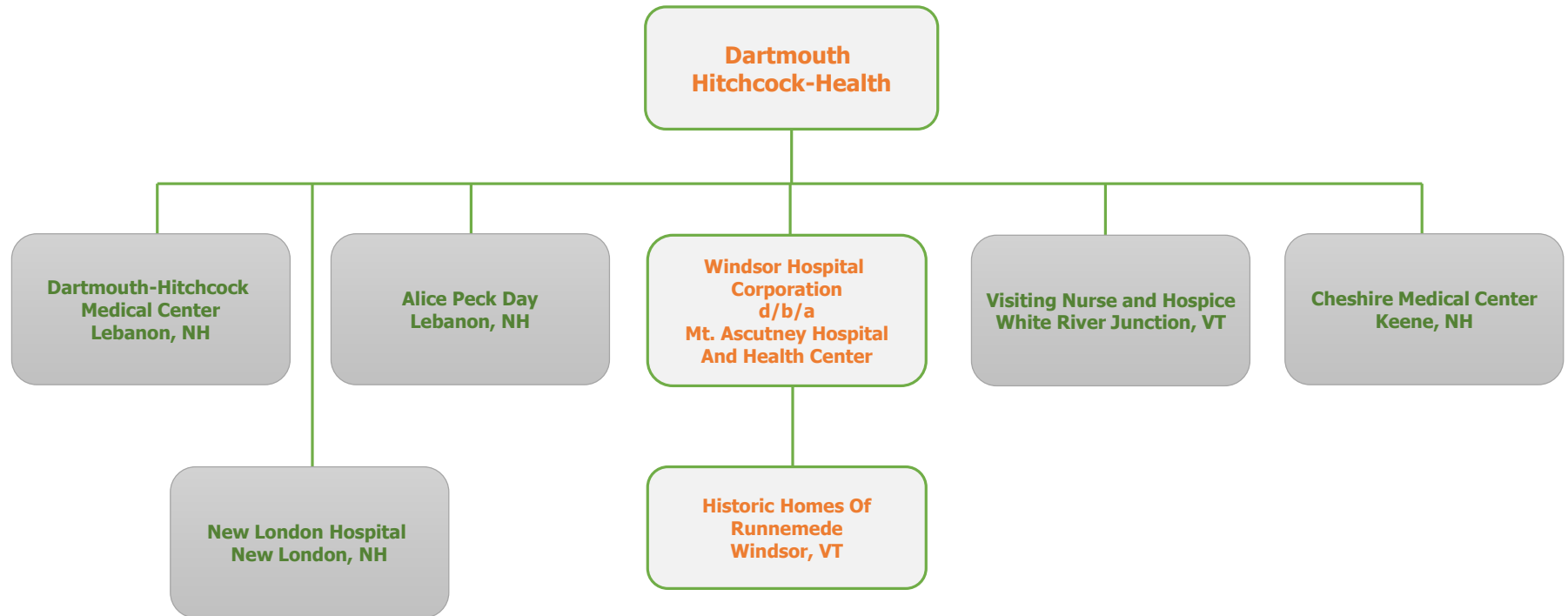


## 1.1 Our Mission

**To improve the lives of  
those we serve.**



## 1.2 Organizational Chart



## 1.3 Our most valuable assets

**490 employees and 183 volunteers spread across the region at 3 clinical sites: Windsor, Woodstock, and Hanover, NH**

## 1.4 Since D-HH Affiliation in July, 2014

- **Over 6000 referrals from outside hospitals with over 5100 from DHMC**
- **1745 Admissions for post acute care to our swing and acute rehabilitation units with 1458 admissions from DHMC.**
- **Year to Date June 2019, ADC- 20.1 on Swing/Acute Unit and 8.3 on Acute Rehab**



## 1.5 D-HH Integration Activities

- Finance
- Supply Chain
- Pharmacy
- Regional Lab Services
- Medical Staff Office - System Credentials Committee
- Specialty medical and surgical service line coordination
- Regional Healthcare delivery planning
- System-Wide Strategic Planning
- Operations/Shared Services
- Information Technology

## 1.6 Current Service Lines

- Primary Care
- General Surgery
- Podiatry
- Ophthalmology
- Psychiatry
- Hospital Medicine
- Community Health Teams
- Cardiology
- Pathology
- Pediatrics
- Physical Medicine and Rehab
- Pain Management
- Radiology
- Rheumatology
- Gastroenterology
- Telehealth programs in emergency medicine and psychiatry

## 2.0 Requests

| MAHHC                              |             |            |             |            |        |
|------------------------------------|-------------|------------|-------------|------------|--------|
| Request for NPSR and Rate Increase |             |            |             |            |        |
|                                    | FY19 Budget |            | FY20 Budget |            | Change |
| NPSR                               | \$          | 51,195,770 | \$          | 55,007,317 | 7.4%   |
| Rate                               |             | 2.94%      |             | 3.20%      | 0.3%   |

## 3.0 Hospital Issues

- **Workforce Issues are stabilizing**
  - Historically low vacancy rate
  - Mission critical positions being filled by permanent employees and lower utilization of travelers
  - Likely reflects regional instability in the healthcare environment
  - Market/Merit raises, retirement contributions and Professional Development
  - Excellent employee engagement scores (Press-Ganey Survey)
    - Highest in D-HH System
    - 85<sup>th</sup> % nationally

## 3.1 Hospital Issues

- **Primary Care**

- Provider turnover remains significant, average length of time spent in first primary care job is 3-5 years
- ACGME survey data for new residency graduates show strong preference for urban/suburban practices with population bases > 100K
- Trailing partner or spouse stresses when relocating to rural areas
- Wage pressures as ALL institutions are desperate for primary care
- Physician/Provider Burnout
  - EMR, clerical workload turning trainees away from primary care

## 4.0 Risk

- **ACO engagement**

- Downside risk and cost report settlement losses may top 3 million for 2020
- Small “n” – covered lives, specialty (expensive) care occurring elsewhere
- “Orphan Risk” of White River Family Practice

- **Staffing recruitment and retention**

- Wage pressures continue
- Housing

- **Uncontrollable inflation**

## 4.1 Risk

- **D-HH system needs vs. MAH needs vs. ACO needs vs. State limits**
- **Nursing home Medicaid census “limits”**
  - Cost is far greater than reimbursement
  - Highest referral recipient in DHH for subacute inpatients
- **Increasing dependence on Other Operating Revenues**
  - 340B
  - Meaningful-Use funding
  - Healthcare Reform Program Revenue
  - Grant funding

## 4.2 Opportunity

- **Regional Planning**
  - 3 Critical access hospitals within 20 miles of each other
  - Rational distribution of scarce resources is imperative if we are to continue serving our communities
- **Improving Primary Care operations**
  - Have attracted 3 new primary care physicians to Woodstock and Windsor
- **Pharmaceutical Formulary/PBM revision**
  - Yet to be realized, slow progress



## 5.0 Financial Health Indicators

| Financial Health Indicators      |              |         |                |
|----------------------------------|--------------|---------|----------------|
| Metric                           | MAHHC        | US CAHs | Northeast CAHs |
| <b>Profitability**</b>           |              |         |                |
| Total Margin %                   | -0.4%        | 2.7%    | 0.0%           |
| Operating Margin \$              | \$ (742,896) |         |                |
| EBIDA Margin %                   | 3.0%         |         | 7.3%           |
| Operating Margin %               | -1.8%        | 0.9%    | -2.1%          |
| Return on Assets %               | -0.3%        |         | 0.0%           |
| <b>Liquidity</b>                 |              |         |                |
| Cash/Investments \$***           | \$ 8,372,362 |         |                |
| Days Cash on Hand*               | 122          | 78      |                |
| Expenses per Day*                | \$ 150,133   |         |                |
| Net Days in AR*                  | 36.6         | 51      |                |
| Net Days in AP*                  | 71.2         |         |                |
| <b>Capital Structure***</b>      |              |         |                |
| Debt Service Coverage Ratio      | 3.5          | 3.35    | 1.39           |
| Long Term Debt/ Capitalization % | 28.6%        | 27.2%   | 23.0%          |
| Cash to Long Term Debt %         | 73.0%        |         |                |
| Average Age of Plant             | 12.2         | 10.48   | 14.43          |
| Capital Spending %               | 1.2          |         |                |
| Equity Financing*                | 52.2%        | 59.8%   |                |
| <b>Cost</b>                      |              |         |                |
| Salaries to NPR %**              | 53.6%        | 44.9    |                |
| FTE per Adjusted Occupied Bed*** | 4.33         | 5.6     |                |
| Compensation Ratio*              | 61.8%        |         |                |
| *12 month rolling average        |              |         |                |
| **FYTD                           |              |         |                |
| ***6/30/19                       |              |         |                |

## 6.A1 Profit and Loss

| MT. ASCUTNEY HOSPITAL & HEALTH CTR               |               |
|--|---------------|
| Profit and Loss Statement                        |               |
| 2020 Budget Submitted                            |               |
| Gross Patient Care Revenue                       | \$107,884,778 |
| Net Revenue Deductions                           | -\$61,024,114 |
| Net Patient Care Revenue                         | \$46,860,664  |
| Fixed Prospective Payments (incl Reserves&Other) | \$8,146,653   |
| Total NPR & FPP (incl Reserves)                  | \$55,007,317  |
| Other Operating Revenue                          | \$3,301,477   |
| Total Operating Revenue                          | \$58,308,794  |
| Total Operating Expense                          | \$57,708,929  |
| Net Operating Income (Loss)                      | \$599,865     |
| Non-Operating Revenue                            | \$792,000     |
| Excess (Deficit) Of Revenue Over Expense         | \$1,391,865   |
| Operating Margin %                               | 1.0%          |
| Total Margin %                                   | 2.4%          |

## 6.A2 Cash Flow

| MT. ASCUTNEY HOSPITAL & HEALTH CTR       |                |
|--|----------------|
| Cash Flow Statement                      |                |
| 2020 Budget Submitted                    |                |
| <b>Cash From Operations</b>              |                |
| Excess Revenue Over Expense              | 1,391,865      |
| Depreciation/Amortization                | 2,660,450      |
| Patient A/R                              | (475,308)      |
| Other Charges                            | 2,552,329      |
| Total                                    | \$ 6,129,336   |
| <b>Cash From Investing Activity</b>      |                |
| Capital Spending                         |                |
| Purchases of Capital Assets              | (4,486,000)    |
| Total                                    | (4,486,000)    |
| (Increase)/Decrease                      |                |
| Funded Depreciation/ Investments         | (1,187,515)    |
| Other LT Assets & Escrowed Bonds & Other | -              |
| Total                                    | (1,187,515)    |
| Total                                    | \$ (5,673,515) |
| <b>Financing Activity</b>                |                |
| <b>Debt</b>                              |                |
| Payments on Capital Lease                | \$ (142,000)   |
| Total                                    | \$ (142,000)   |
| <b>Other Changes</b>                     |                |
| Change in Fund Balance Less Net Income   | 567,165        |
| Total                                    | \$ 567,165     |
| <b>Beginning Cash</b>                    | \$ 7,170,205   |
| <b>Net Increase/(Decrease) in Cash</b>   | \$ 880,986     |
| <b>Ending Cash</b>                       | \$ 8,051,191   |

## 6.A3 Balance Sheet

| MT. ASCUTNEY HOSPITAL & HEALTH CTR<br>BALANCE SHEET |                     |
|---|---------------------|
| 2020 BUDGET SUBMITTED                               |                     |
| TOTAL CURRENT ASSETS                                | \$14,328,326        |
| TOTAL BOARD DESIGNATED ASSETS                       | \$20,231,159        |
| TOTAL PROPERTY, PLANT AND EQUIPMENT, NET            | \$19,868,896        |
| OTHER LONG-TERM ASSETS                              | \$2,718,020         |
| <b>TOTAL ASSETS</b>                                 | <b>\$57,146,401</b> |
| LIABILITIES AND FUND BALANCE                        |                     |
| TOTAL CURRENT LIABILITIES                           | \$10,681,125        |
| TOTAL LONG-TERM DEBT                                | \$11,511,334        |
| OTHER NONCURRENT LIABILITIES                        | \$4,627,163         |
| <b>TOTAL LIABILITIES</b>                            | <b>\$26,819,622</b> |
| FUND BALANCE  | \$30,326,779        |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>           | <b>57,146,401</b>   |

## 6.B1 Expense Drivers & Cost Containment Efforts

### Expense Drivers

- **Workforce Pressures; Wages, Travelers, etc.**
- **Primary Care Subsidy**
- **ACO Reserves & Cost Report Impact**
- **Swing Bed Cost Report Issue**
- **Pharmacy Inflation**
- **Move Towards Acuity**
  - Increased Use of Resources, Staff, & Supplies
  - R/T Project
  - DH Compression
  - Other Facilities

## 6.B2 Expense Drivers & Cost Containment Efforts

- **Group purchasing**
  - Leveraging D-HH Buying Power & Credit
  - Standardizing Supplies and Product
  - Standardizing Equipment & Group Buys
- **System integration and reduction of overhead**
  - Laboratory
  - Radiology
  - Benefits
  - Biomedical Services
  - Shared Staff, Management, & Providers
- **Captive Insurance and Shadow Captive Stop Loss**
  - Ongoing Savings/Cost Avoidance
  - Lowering Premium Growth/Refunds

## 6.C1 FY19 Reconciliation

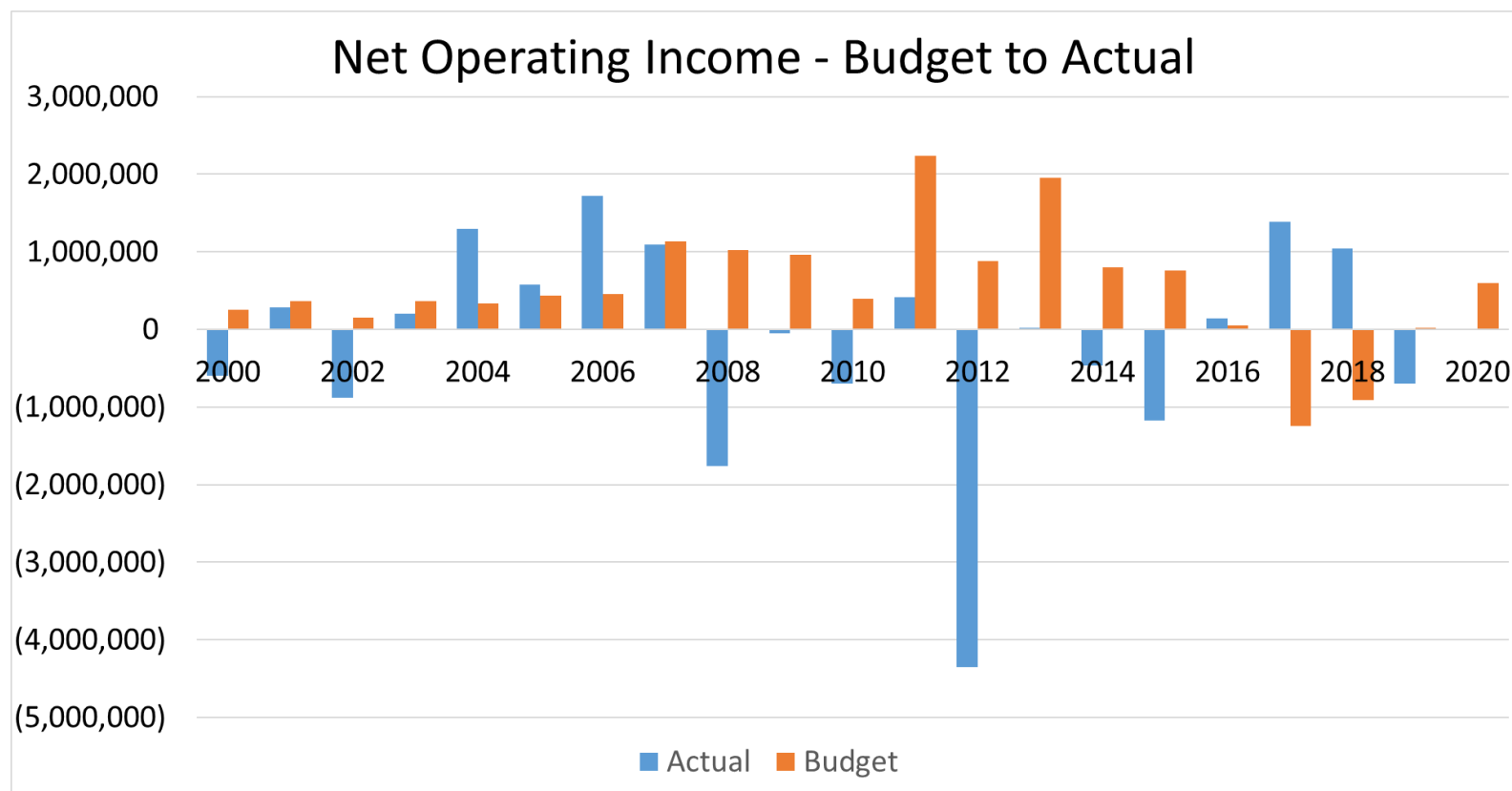
| Net Patient Service Revenue |                 |              | Other Revenue        |              |             |
|-----------------------------|-----------------|--------------|----------------------|--------------|-------------|
|                             | \$              | %            |                      | \$           | %           |
| FY19 Approved Budget        | \$ 51,195,770   |              | FY19 Approved Budget | \$ 3,659,789 |             |
| Gross Revenue               | 1,000,000       | 2.0%         | Grant Income         | 330,000      | 9.0%        |
| Deductions from Rev         | (4,600,000)     | -9.0%        | Cafeteria            | 25,000       | 0.7%        |
| FPP                         | 5,500,000       | 10.7%        | PHM Reclass          | (195,000)    | -5.3%       |
| Reserves for FPP            | (1,250,000)     | -2.4%        | Sale of Fixed Assets | (70,000)     | -1.9%       |
| Reform Payments             | 195,000         | 0.4%         | 340B                 | 185,000      | 5.1%        |
| Bad Debt/Free Care          | (415,000)       | -0.8%        | Other                | (60,000)     | -1.6%       |
| Changes in DSH              | 40,000          | 0.1%         | Rounding             | <u>515</u>   | <u>0.0%</u> |
| Rounding                    | <u>(26,519)</u> | <u>-0.1%</u> |                      |              |             |
| FY19 Projections            | \$ 51,639,251   | 0.9%         | FY19 Projections     | \$ 3,875,304 | 5.9%        |

## 6.C2 FY19 Reconciliation

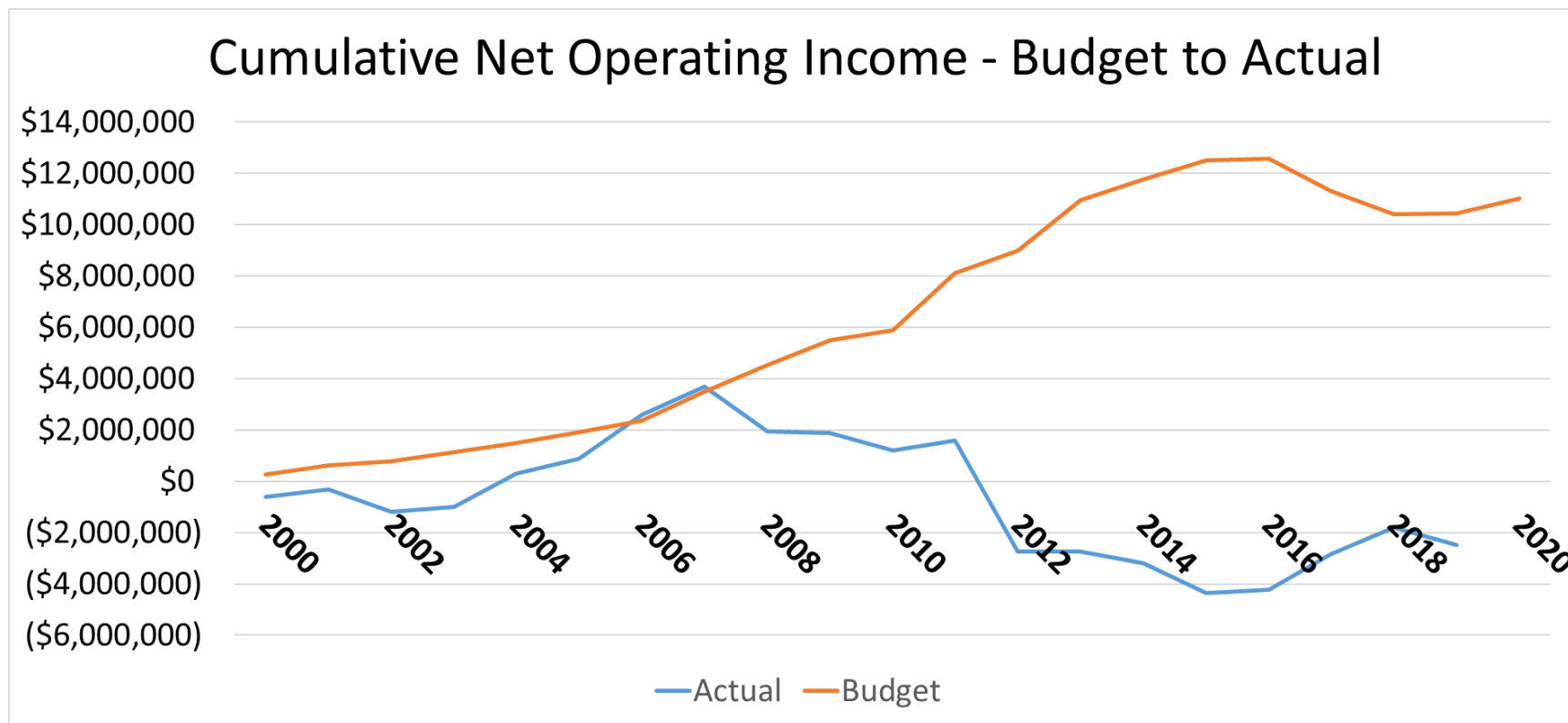
| Expenses                       |                |             | Non-Operating Revenues and Expenses |                 |              |
|--------------------------------|----------------|-------------|-------------------------------------|-----------------|--------------|
|                                | \$             | %           |                                     | \$              | %            |
| FY19 Approved Budget           | \$ 54,837,975  |             | FY19 Approved Budget                | \$ 861,000      |              |
| Physician: Contracting Reclass | (1,200,000)    | -2.2%       | Donations                           | 200,000         | 23.2%        |
| Other Expense: Reclass Above   | 1,200,000      | 2.2%        | Sale of Investments                 | 110,000         | 12.8%        |
| Purchased Labor                | 270,000        | 0.5%        | Restricted Asset Release            | (150,000)       | -17.4%       |
| Salaries                       | 500,000        | 0.9%        | Rounding                            | <u>(20,197)</u> | <u>-2.3%</u> |
| Fringe Benefits                | 225,000        | 0.4%        |                                     |                 |              |
| Interest                       | (15,000)       | 0.0%        |                                     |                 |              |
| Depreciation                   | 100,000        | 0.2%        |                                     |                 |              |
| Rounding                       | <u>(3,016)</u> | <u>0.0%</u> |                                     |                 |              |
| FY19 Projections               | \$ 55,914,959  | 2.0%        | FY19 Projections                    | \$ 1,000,803    | 16.2%        |



## 7.1 Other Financial Information - History



## 7.2 Other Financial Information - History



## 7.3 Other Financial Information - History

| MAHHC                                |             |             |        |
|--------------------------------------|-------------|-------------|--------|
| In-State vs Out-of-State Patient Mix |             |             |        |
| State                                | FY18        | FY19        | Change |
| VT                                   | 71.6%       | 70.2%       | -2.0%  |
| NH                                   | 26.7%       | 27.7%       | 3.8%   |
| OTHER                                | <u>1.7%</u> | <u>2.1%</u> | 24.4%  |
| TOTAL                                | 100.0%      | 100.0%      |        |

| MAHHC             |     |
|-------------------|-----|
| Revenue Growth    |     |
| Q3 FY18 / Q3 FY19 |     |
| VT                | 7%  |
| Springfield HSA   | 25% |
| NH                | 13% |

## 8.1 Capital Budget 2020

- **2020 Budgeted at \$4,486,000**
- **No CON's**

| Capital Budget - FY20 |              |
|-----------------------|--------------|
| Investment Type       | Amount       |
| Building Improvement  | \$ 715,000   |
| Land Improvement      | 60,000       |
| Major Moveable        | 3,711,000    |
| Total                 | \$ 4,486,000 |

## 8.2 Capital Budget 2020

- **Historically underfunded capital**
- **Predominantly Routine Replacement**
- **Nothing Strategic**
- **No CON**
- **Energy efficient where ever possible**
- **Bandwidth Issues**



## 8.3 Capital Budget 2020

### Capital by Department

|                        |           |                  |
|------------------------|-----------|------------------|
| Acute Rehabilitation   | \$        | 10,000           |
| Acute/Swing            | \$        | 25,000           |
| All Nursing Units      | \$        | 625,000          |
| Anesthesia             | \$        | 80,000           |
| Primary Care           | \$        | 50,000           |
| Communications         | \$        | 150,000          |
| Diagnostic Imaging     | \$        | 1,055,000        |
| Facilities             | \$        | 1,233,000        |
| Information Technology | \$        | 715,000          |
| Laboratory             | \$        | 145,000          |
| OHC                    | \$        | 30,000           |
| Operating Room         | \$        | 250,000          |
| Ophthalmology          | \$        | 60,000           |
| Physical Therapy       | \$        | 40,000           |
| Respiratory Therapy    | \$        | 18,000           |
| <b>Total:</b>          | <b>\$</b> | <b>4,486,000</b> |

### Key Capital Items

|                               |           |                  |
|-------------------------------|-----------|------------------|
| Mammography Replacement       | \$        | 550,000          |
| New Generator Main Building   | \$        | 490,000          |
| Telemetry Replacement         | \$        | 475,000          |
| Roof Top Unit Replacements    | \$        | 400,000          |
| Diagnostic Imaging Room       | \$        | 350,000          |
| Routine Device Replacement    | \$        | 150,000          |
| Nurse Call System Phase II    | \$        | 150,000          |
| Provation Software            | \$        | 150,000          |
| Telephone System              | \$        | 150,000          |
| Bone Density                  | \$        | 100,000          |
| OR Replacement Contingency    | \$        | 100,000          |
| Professional Rewiring Project | \$        | 100,000          |
| Main Building Roof Repair     | \$        | 100,000          |
|                               | <b>\$</b> | <b>3,265,000</b> |

## 9.0 Long Range Financial Outlook/Plans

- **Continue with D-HH Integration Efforts, System Capacity Projects, and Regional Service-line Planning**
- **Combat Fixed Expense % by Creatively Using Current & Available Resources**
- **Improve Wages & Benefits to Market Levels**
  - **Reduce Replacement Costs**
  - **Improve Recruitment & Retention**
- **Maintain Lean Infrastructure & Expense Management**
- **Maintain capital spending trend to improve average age of plant**
- **Reduce pricing to better align with market**
- **Continue GPO and D-HH standardization**

## 9.1 Total Cost of Care

- **Windsor HSA – spending/growth observations**
  - Below historical 3.5% target
  - Insufficient experience and lag of data make current observations difficult
- **Strategies**
  - Care Coordination
  - Pharmaceutical Formulary Revisions
  - Community Health Outreach
  - Increase VITL participation
  - Increase access
  - Family Wellness Program
  - Hiring of social worker to aid in complex care management
  - Hiring of community health worker to focus on Care Navigator
  - Additional 3 FTE of Primary Care Doctors



# 10.0 Budget Compliance

| Historical Compliance with Budget Orders |                   |                   |               |                   |                   |               |                   |                   |              |
|--|-------------------|-------------------|---------------|-------------------|-------------------|---------------|-------------------|-------------------|--------------|
| Order                                    | Budget<br>FY16    | Actual<br>FY16    | Variance      | Budget<br>FY17    | Actual<br>FY17    | Variance      | Budget<br>FY18    | Actual<br>FY18    | Variance     |
| Rate Increase                            | 5.7%              | 5.7%              | 0.0%          | 4.9%              | 4.9%              | 0.0%          | 4.9%              | 4.9%              | 0.0%         |
| Financials                               |                   |                   |               |                   |                   |               |                   |                   |              |
| Net Patient Care Revenue                 | \$ 48,060,871     | \$ 46,402,275     | -3.5%         | \$ 47,744,700     | \$ 48,253,025     | 1.1%          | \$ 48,682,309     | \$ 50,808,643     | 4.4%         |
| Other Operating Revenue                  | <u>2,589,908</u>  | <u>3,316,523</u>  | <u>28.1%</u>  | <u>2,867,159</u>  | <u>3,530,324</u>  | <u>23.1%</u>  | <u>3,346,873</u>  | <u>3,694,902</u>  | <u>10.4%</u> |
| Total Net Revenue                        | 50,650,779        | 49,718,798        | -1.8%         | 50,611,859        | 51,783,349        | 2.3%          | 52,029,182        | 54,503,546        | 4.8%         |
| Expenses                                 | <u>50,599,108</u> | <u>49,577,507</u> | <u>-2.0%</u>  | <u>51,856,343</u> | <u>50,392,970</u> | <u>-2.8%</u>  | <u>52,939,112</u> | <u>53,451,291</u> | <u>1.0%</u>  |
| Operating Surplus                        | 51,671            | 141,292           | 173.4%        | (1,244,484)       | 1,390,379         | -211.7%       | (909,930)         | 1,052,255         |              |
| Non-Operating Surplus                    | <u>446,000</u>    | <u>1,161,272</u>  | <u>160.4%</u> | <u>1,844,274</u>  | <u>4,500,330</u>  | <u>144.0%</u> | <u>2,040,934</u>  | <u>1,937,494</u>  | <u>-5.1%</u> |
| Total Surplus                            | \$ 497,671        | \$ 1,302,564      | 161.7%        | \$ 599,790        | \$ 5,890,709      | 882.1%        | \$ 1,131,004      | \$ 2,986,749      | 164.1%       |
| Change Advisement                        |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| YTD Filings                              |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Other Filings                            |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Audit Filing                             |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Further Orders                           |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Electronic Form                          |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Future Orders                            |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Physician Acquisition                    |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Material Change                          |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Actuals Filing                           |                   | Compliant         |               |                   | Compliant         |               |                   | Compliant         |              |
| Financial Assistance Policy              |                   | N/A               |               |                   | Compliant         |               |                   | Compliant         |              |
| Energy Efficiency                        |                   | N/A               |               |                   | N/A               |               |                   | Compliant         |              |
| Health Reform Filing                     |                   | N/A               |               |                   | N/A               |               |                   | Compliant         |              |

# Thank you!

